

Message Text

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ACTION NEA-13

INFO OCT-01 ISO-00 PM-07 NSC-10 SPC-03 SAM-01 SS-20 RSC-01

CIAE-00 INR-10 NSAE-00 L-03 AID-20 H-03 MC-02 IGA-02

EB-11 OMB-01 TRSE-00 PRS-01 EUR-25 DRC-01 /135 W

----- 076052

R 051618Z FEB 74

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 2385

INFO SECDEF

CNO

CSAF

JCS

CINCLANT

USCINCEUR

CINCUSNAVEUR

CINCUSAFE

COMSIXTHFLT

COMFAIRMED

COMFAIRMEDREP ATHENS

C O N F I D E N T I A L ATHENS 760

E.O. 11652: GDS

TAGS: MARR, MCAP, MASS, GR, US

SUBJECT: U.S. FACILITIES AND MILITARY ASSISTANCE

REF: (A) STATE 20093; (B) ATHENS 0762 (NOTAL)

SUMMARY: PROCESS OFDISABUSING GOG RE GRANT ASSISTANCE
EXPECTATIONS HAS STARTED. SHORTFALL IN FMS CREDITS WOULD BE
UNHELPFUL IN NEGOTIATIONS. DIVERTING FMS FUNDSFROM HAI
UNLIKELY TO APPEAL TO GOG AND IS NOT BEING SUGGESTED, PARTI-
CULARLY BECAUSE LOCKHEED MAY BEGIN NEGOTIATIONS SOON.
ESTABLISHING FMS CREDIT LEVEL AT \$65 MILLION AND RECATEGORIZING
GREECE AS DEVELOPED COUNTRY FOR EX-IM PURPOSES IS RECOMMENDED.
END SUMMARY.

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1. EMBASSY APPRECIATES INFORMATION PROVIDED REFTEL A REGARDING

IMPROBABILITY OF RESUMPTION GRANT MILITARY ASSISTANCE. THIS SHOULD PROVIDE BASIS FOR BRINGING REALITIES OF WASHINGTON SITUATION TO ATTENTION OF GREEK LEADERSHIP (REF B) AND, IT IS HOPED, TO BREAK LINKAGE BETWEEN FACILITIES AND ASSISTANCE.

2. UNREALITY OF GREEK DEMAND FOR RENEWED GRANT MILITARY ASSISTANCE SEEMED CLEAR TO EMBASSY FROM ITS INCEPTION, BUT THERE SEEMED TO BE REASON TO HOPE THAT FULL \$65 MILLION OF FMS CREDIT WOULD BE MADE AVAILABLE TO GOG IN FY 74. OUR INFORMING GOG NOT ONLY THAT GRANT ASSISTANCE IS OUT OF QUESTION BUT THAT NO RESOURCES OF ANY KIND, BEYOND \$50 MILLION FOR F-4 PAYMENTS, CAN BE MADE AVAILABLE THIS FY MIGHT BE REGARDED BY GREEK MILITARY LEADERS AS A SHARP REBUKE. THE FRAME OF MIND THIS DOUBLE REBUFF COULD INDUCE WOULD NOT BE HELPFUL IN NEGOTIATIONS ON SOUDA AB AND HOMEPORTING PHASE II.

3. IN CONTACTS MADE IN IMPLEMENTATION OF PARAS 4 AND 5 OF REF A, EMBASSY DOES NOT BELIEVE THAT PROPOSAL SUGGESTED IN PARA 5C WOULD ADVANCE U.S. INTERESTS. THIS DOUBTLESS WOULD BE REGARDED AS TAKING MONEY OUT OF ONE GREEK POCKET TO PUT IN ANOTHER, WITH UNDERTAIN PROSPECTS FOR REPLACING THAT REMOVED FROM FIRST POCKET. FURTHERMORE, EMBASSY AND JUSMAGG WERE UNDER IMPRESSION THAT SUM ALLOCATED TO HAI WAS \$25 MILLION. IF, AS PARA 5C SEEMS TO SUGGEST, \$10 MILLION HAS BEEN ALLOCATED FOR ANOTHER PURPOSE, EMBASSY WOULD APPRECIATE LEARNING HOW THIS WAS ACCOMPLISHED.

4. DISPOSITION OF \$25 MILLION FOR HAI IS MATTER OF PARTICULAR CONCERN NOW INASMUCH AS LOCKHEED BELIEVES THAT IT HAS BEEN SELECTED TO NEGOTIATE CONTRACT FOR HAI. LOCKHEED REPS INFORMED AMBASSADOR JANUARY 31 THAT THEY EXPECTED QUITE SOON TO RECEIVE FROM GOG LETTER OF INTENT TO NEGOTIATE. LOCKHEED'S FINANCIAL PROBLEMS ARE WELL KNOWN, AND ANY SHORTFALL IN ANTICIPATED FMS CREDIT WOULD BE VERY TROUBLESOME. LOCKHEED'S STRONG DESIRE TO DROP SNECMA, WHOSE PARTICIPATION CARRIED THE PROMISE OF \$22 MILLION FRENCH FINANCING, IN FAVOR OF GENERAL ELECTRIC CLEARLY WOULD CREATE NEED FOR ADDITIONAL FINANCING, PRESUMABLY FROM U.S. SOURCES.

5. EMBASSY HAS ON EARLIER OCCASIONS SUGGESTED THAT GREECE
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BE RECATEGORIZED AS A DEVELOPED COUNTRY IN ORDER TO PERMIT EX-IM FINANCING OF MILITARY PURCHASES. DISTINCT POSSIBILITY OF DEVELOPMENT OF LOCKHEED FINANCING DIFFICULTIES IN HAI PROJECT REINFORCES NEED FOR MOVE IN THIS DIRECTION. SHOULD INTERESTED DEPARTMENTS BE ABLE TO BRING THIS ABOUT, AND IF EX-IM CREDIT WAS POTENTIALLY AVAILABLE IN REQUIRED VOLUME FOR HAI, DIVERSION TO AIRCRAFT PURCHASES OR OTHER PROJECTS OF \$25 MILLION PREVIOUSLY ALLOCATED TO HAI MIGHT HAVE APPEAL

FOR GOG.

6. IN LIGHT OF FOREGOING CONSIDERATIONS, EMBASSY STRONGLY RECOMMENDS THAT FMS CREDIT ALLOCATIONS FOR FY 74 BE REEXAMINED IN ORDER TO RESTORE GREEK LEVEL TO \$65 MILLION. THIS ACTION, COUPLED WITH A RECATEGORIZATION OF GREECE AS A DEVELOPED COUNTRY, WOULD PUT US IN STRONGEST FEASIBLE NEGOTIATING POSITION. ANYTHING LESS IS LIKELY TO REBOUND TO OUR DISADVANTAGE.

7. AIRCRAFT SITUATION DESCRIBED PARAS 6-11 REF A WILL BE ADDRESSED IN SEPTEL.
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